

ISSUE BRIEF 05-01

FY 2002 SCHIP Redistributions and Retentions

January 19, 2005

Executive Summary

Under the provisions of the authorizing statute for the State Children's Health Insurance Program (SCHIP), states have three years to use their federal allotments; unused funds are redistributed to states that have fully used their allocations. This system was used for federal fiscal years (FYs) 1998-1999, the first two years of the program, amended for FYs 2000-2001 to allow partial retention by states originally receiving the funds, and is now being used again for redistribution of FY 2002 funds. The redistribution of \$635.9 million of unused FY 2002 funds to 33 states and territories has just been announced.

As the SCHIP program has matured, an increasing number of states have begun to fully use their allotments. While many of the 33 jurisdictions still have prior-year allotments to apply to their current SCHIP programs, some states for the first time are reaching the point of exhausting all available funds. The FY 2002 redistribution has been structured to redirect funds to such states.

Background

SCHIP finances health insurance for children and families with incomes above Medicaid standards. It is authorized and funded for FYs 1998-2007 under Title XXI of the Social Security Act. Many states were initially unprepared to quickly implement the expanded coverage for children envisioned in the program. Consequently, only a few jurisdictions fully expended their FY 1998 allocations. However, the program has continued to grow as beneficiaries move into it and as states expand their offerings. These increases have been facilitated by the actions of the Centers for Medicare and Medicaid Services (CMS) in easing waiver-approval processes, thereby helping states adjust the program's structure to their own circumstances. As shown in Table 1, it now is estimated that two-thirds of states will have FY 2005 SCHIP spending in excess of FY 2005 allotments.

Redistributions and Retentions

Title XXI originally provided for redistributing SCHIP allotments unspent after three years, with redistributed amounts available for one additional year; the secretary of Health and Human Services (HHS) was given discretion over how to distribute the funds. The Benefits Improvement and Protection Act of 2000 (BIPA) amended this provision for FYs 1998-1999, continuing to allow states to receive redistributed funds but also permitting states not fully spending their allotments to retain funds not used for redistribution. Additionally, under BIPA, FYs 1998-1999 funds did not lapse until October 1, 2002.

Subsequently, P.L. 108-74 amended the reappropriation/retention structure for FYs 1998-2001, as follows:

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- Unexpended FYs 1998-1999 funds remain with their current states and are available for expenditure through FY 2004.
 - Half of FYs 2000 and 2001 allotments unexpended after three years are available each year for redistribution, with the balance retained by the original states receiving them. These new funds remain available through FY 2004 and FY 2005 respectively.
 - Up to 20% of FYs 1998-2001 allotments may reimburse qualifying states' Medicaid programs. "Qualifying states" are defined as having an income-eligibility standard after April 15, 1997, for one or more categories of children of at least 184% of the federal poverty level (FPL) or a similar statewide waiver with an FPL standard of at least 185%.

For FY 2002, the original Title XXI language will again govern. This means that all unspent allotments will be redistributed, with the secretary provided discretion as to the appropriate methodology. States have one year to expend the redistributed FY 2002 funds. In addition, the "qualifying states" have only FY 2001 allotments remaining for use in their Medicaid programs.

BIPA also made the commonwealths and territories eligible for redistributions; these have been provided to Puerto Rico, American Samoa, Guam, the Northern Marianas and the Virgin Islands. The uncapped SCHIP redistributions are especially important to these jurisdictions since their Medicaid programs are capped. The new law continued these BIPA provisions, providing these jurisdictions with 1.05% of the total unexpended balances.

FY 2002 Methodology

The secretary has elected to place his primary focus in redistributing the FY 2002 funds on assisting states that expect to fully exhaust all available SCHIP funds during FY 2005. Based on state reports from November 2004, CMS has projected that five states will experience shortfalls during FY 2005—Arizona (\$47.4 million), Minnesota (\$17.7 million), Mississippi (\$22.2 million), New Jersey (\$131.8 million) and Rhode Island (\$17.9 million). Table 1 displays the funds CMS has calculated will be available for FY 2005 programs and the estimated surplus or shortfall in each state's program.

The FY 2002 redistribution methodology first redistributes the estimated shortfall amounts totaling \$237 million to the five states. The balance is redistributed using the same methodology as applied in previous years. For this purpose, FY 2002 allotments are subtracted from FYs 2002-2004 expenditures for each state, and redistributions are made based the state's share of the national total. This methodology clearly reduces the probability that states will experience shortfalls, but does pose possible problems for states with small excesses, such as Nebraska.

Redistributions

Table 2 displays FY 2002 redistributions. Twenty-eight states will receive redistributions, as compared to 19 from FY 2001 allotments and 12 from FY 1998 allotments. New Jersey will receive \$172 million (20%), the first time it has received the largest distribution, followed by Arizona (9%), New York (5%), Florida and Mississippi (each 4%).

The total amounts being redistributed are shrinking for two reasons. First, the unusual 10-year funding stream for the program reduced allotments for FYs

2002-2004 (see *Issue Brief 04-34*), limiting the overall amount from which redistributions can be made. Second, more states are fully utilizing their funds as the SCHIP program matures.

The total of \$3.5 billion in redistributions over five years must be considered in the light of \$1.3 billion in funds initially redistributed and retained funds from FYs 1998-2000 that lapsed at the end of FY 2004. As shown on Table 2, more than \$1 billion of this amount represents redistributed funds that New York and South Carolina were unable to use. Extending the availability of these funds was supported on a bipartisan basis in Congress and by the administration, but no final agreement was reached on the distribution methodology and the purposes to which the funds might be put. It is expected that renewed efforts will be made to use these lapsed funds for SCHIP.

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Table 1**FY 2005 SCHIP Resources and Shortfalls**

(federal fiscal years; dollars in thousands)

State	2001 Retained/ Redistributed	Allotment Balances			Total Available	Projected Spending	Excess/ Shortfall
		2003	2004	2005			
Alabama	\$0	\$38,781	\$54,679	\$68,041	\$161,501	\$71,688	\$89,813
Alaska	13,106	7,430	7,157	9,020	36,714	18,020	18,694
Arizona	0	0	20,452	106,473	126,925	174,286	-47,361
Arkansas	26,979	34,155	35,073	48,662	144,868	29,414	115,454
California	0	548,808	533,991	667,444	1,750,242	793,733	956,509
Colorado	0	37,915	44,865	57,951	140,731	44,707	96,024
Connecticut	2,535	24,361	27,975	36,561	91,432	19,872	71,560
Delaware	2,074	8,686	7,817	9,046	27,623	5,663	21,960
District of Columbia	0	7,202	7,199	9,635	24,036	7,694	16,342
Florida	132,618	35,421	193,615	249,247	610,901	391,991	218,910
Georgia	24,823	0	103,893	130,915	259,631	191,945	67,686
Hawaii	0	9,648	9,648	12,405	31,700	10,927	20,773
Idaho	0	16,795	16,958	20,748	54,501	17,429	37,072
Illinois	0	59,196	120,970	164,936	345,102	238,955	106,147
Indiana	14,571	53,710	54,027	73,422	195,729	73,308	122,421
Iowa	0	8,645	19,703	28,266	56,615	45,666	10,949
Kansas	14,982	20,083	23,542	28,479	87,086	42,797	44,289
Kentucky	33,743	37,984	39,287	54,061	165,075	78,498	86,577
Louisiana	0	44,241	64,523	77,478	186,242	113,156	73,086
Maine	8,706	9,689	9,475	12,462	40,332	23,091	17,241
Maryland	65,649	33,649	36,121	48,349	183,768	117,677	66,091
Massachusetts	27,708	46,201	46,201	59,401	179,511	89,475	90,036
Michigan	0	86,568	89,138	111,346	287,052	169,252	117,800
Minnesota	0	0	25,164	38,615	63,779	81,446	-17,667
Mississippi	13,605	0	36,897	48,166	98,668	120,915	-22,247
Missouri	0	20,239	41,923	53,958	116,121	93,386	22,735
Montana	0	10,005	10,194	12,284	32,483	16,148	16,335
Nebraska	0	0	12,482	17,096	29,578	28,354	1,224
Nevada	0	30,436	31,164	40,387	101,988	27,629	74,359
New Hampshire	3,144	8,904	8,013	9,273	29,334	7,645	21,689
New Jersey	0	0	25,768	84,735	110,503	242,284	-131,781
New Mexico	25,383	32,789	32,789	42,157	133,117	75,701	57,416
New York	164,031	227,517	216,456	270,142	878,146	511,888	366,258
North Carolina	40,464	67,514	85,754	110,255	303,987	201,153	102,834
North Dakota	0	5,437	5,437	6,385	17,258	8,555	8,703
Ohio	0	60,481	103,803	125,842	290,126	171,774	118,352
Oklahoma	0	44,622	44,622	57,371	146,614	46,985	99,629
Oregon	1,400	40,709	38,057	47,255	127,421	20,621	106,800
Pennsylvania	0	92,759	98,748	130,964	322,471	144,137	178,334
Rhode Island	224	0	0	9,355	9,579	27,509	-17,930
South Carolina	0	43,402	43,355	54,306	141,063	64,520	76,543
South Dakota	0	4,406	5,790	7,887	18,083	14,826	3,257
Tennessee	43,148	58,355	57,958	78,905	238,365	17,259	221,106
Texas	0	311,504	330,852	449,972	1,092,328	316,101	776,227
Utah	0	24,694	24,091	31,699	80,484	30,893	49,591
Vermont	0	3,813	3,813	4,903	12,529	2,858	9,671
Virginia	0	53,438	55,715	76,255	185,407	83,206	102,201
Washington	25,420	50,326	50,326	64,705	190,778	34,680	156,098
West Virginia	12,081	15,641	18,760	24,423	70,906	32,740	38,166
Wisconsin	36,732	0	43,505	51,870	132,107	102,653	29,454
Wyoming	0	5,481	4,952	6,365	16,797	5,746	11,051
Total	\$733,126	\$2,381,639	\$3,022,698	\$4,039,875	\$10,177,339	\$5,300,856	\$4,876,483

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Table 2

SCHIP Redistributions 1998-2002

(federal fiscal years; dollars in thousands)

State	Redistributions						Share of Total		1998-2000 Lapsed Funds
	1998	1999	2000	2001	2002	Total	2002	Total	
Alabama	\$0	\$0	\$0	\$0	\$8,998	\$8,998	1.0 %	0.3 %	\$0
Alaska	15,006	38,614	27,454	13,106	3,433	97,613	0.4	2.8	-8,627
Arizona	0	0	0	52,127	76,359	128,487	8.7	3.7	0
Arkansas	0	0	0	0	0	0	0.0	0.0	-11,165
California	0	0	0	0	0	0	0.0	0.0	0
Colorado	0	0	0	0	0	0	0.0	0.0	0
Connecticut	0	0	0	0	0	0	0.0	0.0	0
Delaware	0	0	0	0	0	0	0.0	0.0	0
District of Columbia	0	0	0	0	0	0	0.0	0.0	0
Florida	0	0	0	132,618	38,257	170,875	4.4	4.9	0
Georgia	0	0	0	50,081	23,642	73,723	2.7	2.1	0
Hawaii	0	0	0	0	0	0	0.0	0.0	0
Idaho	0	0	0	0	0	0	0.0	0.0	0
Illinois	0	0	0	0	16,630	16,630	1.9	0.5	0
Indiana	44,908	105,203	0	0	0	150,112	0.0	4.3	0
Iowa	0	0	0	0	4,571	4,571	0.5	0.1	0
Kansas	0	0	21,481	14,982	5,406	41,869	0.6	1.2	0
Kentucky	27,919	96,297	71,982	33,743	10,410	240,352	1.2	6.9	-87,628
Louisiana	0	0	0	0	10,770	10,770	1.2	0.3	0
Maine	4,532	18,728	14,670	8,706	3,234	49,871	0.4	1.4	-5,005
Maryland	44,657	137,136	123,598	65,649	19,688	390,727	2.3	11.3	-8,084
Massachusetts	36,715	87,173	53,097	27,708	12,272	216,965	1.4	6.3	-31,268
Michigan	0	0	0	0	9,741	9,741	1.1	0.3	0
Minnesota	0	0	16,766	20,378	27,925	65,069	3.2	1.9	0
Mississippi	0	0	40,864	33,325	35,539	109,728	4.1	3.2	0
Missouri	9,236	61,787	0	0	10,045	81,068	1.1	2.3	0
Montana	0	0	0	0	1,645	1,645	0.2	0.0	0
Nebraska	0	0	0	5,966	3,457	9,423	0.4	0.3	0
Nevada	0	0	0	0	0	0	0.0	0.0	0
New Hampshire	0	0	0	0	0	0	0.0	0.0	0
New Jersey	0	107,350	165,577	119,958	171,681	564,565	19.6	16.3	0
New Mexico	0	0	0	0	0	0	0.0	0.0	-30,953
New York	434,890	729,772	414,465	164,031	47,020	1,790,179	5.4	51.7	-877,081
North Carolina	20,902	92,147	0	40,464	18,042	171,555	2.1	5.0	0
North Dakota	0	0	0	0	0	0	0.0	0.0	0
Ohio	0	0	0	0	19,518	19,518	2.2	0.6	0
Oklahoma	0	0	0	0	0	0	0.0	0.0	0
Oregon	0	0	0	0	0	0	0.0	0.0	0
Pennsylvania	5,590	0	0	0	14,902	20,492	1.7	0.6	0
Rhode Island	1,987	20,381	26,796	18,088	23,364	90,616	2.7	2.6	0
South Carolina	52,514	75,055	32,649	0	0	160,217	0.0	4.6	-152,209
South Dakota	0	0	0	3,267	1,357	4,624	0.2	0.1	0
Tennessee	0	0	0	0	0	0	0.0	0.0	-57,607
Texas	0	0	0	0	0	0	0.0	0.0	0
Utah	0	0	0	0	0	0	0.0	0.0	0
Vermont	0	0	0	0	0	0	0.0	0.0	0
Virginia	0	0	0	0	0	0	0.0	0.0	0
Washington	0	0	0	0	0	0	0.0	0.0	-11,467
West Virginia	0	0	18,805	12,081	4,066	34,952	0.5	1.0	0
Wisconsin	0	38,614	55,796	39,867	13,896	148,172	1.6	4.3	0
Wyoming	0	0	0	0	0	0	0.0	0.0	0
Puerto Rico	19,558	27,110	21,222	16,822	6,181	90,892	0.7	2.6	0
Virgin Islands	555	769	602	477	175	2,580	0.0	0.1	0
Territories	1,238	1,717	1,344	1,065	391	5,755	0.0	0.2	0
Total	\$720,207	\$1,637,852	\$1,107,167	\$874,511	\$642,618	\$3,465,227	100.0 %	100.0 %	-\$1,281,092

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